

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 NSAE-00 NSCE-00 SSO-00  
ICAE-00 INRE-00 PM-05 H-01 INR-10 L-03 PA-01  
SP-02 SS-15 OMB-01 EB-08 TRSE-00 AID-05 OPIC-03  
COME-00 /067 W

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O R 291624Z JUL 78  
FM AMEMBASSY LISBON  
TO SECSTATE WASHDC IMMEDIATE 6493  
INFO AMEMBASSY BONN  
AMEMBASSY LONDON  
AMEMBASSY MADRID  
AMEMBASSY MOSCOW  
AMCONSUL OPORTO  
AMEMBASSY PARIS  
AMCONSUL PONTA DELGADA  
USMISSION USNATO  
DIA WASHDC  
USNMR SHAPE BEL  
COMUSFORAZ

C O N F I D E N T I A L SECTION 1 OF 3 LISBON 5610

E.O. 11652: XGDS-3  
TAGS: PINT PO  
SUBJECT: GOVERNMENT CRISIS: PRESIDENTIAL AND PARTY POSITIONS

REF: (A) IR 6-879-0324-78

BEGIN SUMMARY: PRESIDENT EANES CONCLUDED HIS CONSULTATIONS  
WITH THE POLITICAL PARTIES JULY 29 AND INITIATED DISCUSSIONS  
WITH THE UNION CONFEDERATIONS AND ECONOMIC INTEREST GROUPS.  
EANES ISSUED A DECREE JULY 29 DISMISSING MARIO SOARES AS  
PRIME MINISTER, BUT KEEPING THE SOARES GOVERNMENT AS A  
"CARETAKER" GOVERNMENT IN THE INTERIM. THE POSITIONS OF  
THE PRESIDENT, THE POLITICAL PARTIES AND OTHER FORCES  
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INFLUENCING NEGOTIATIONS ON A NEW GOVERNMENT ARE SET OUT  
BELOW. THE MAJOR FACTORS ARE THE PRESIDENT WHO IS URGING  
A GOVERNMENT OF TECHNICIANS AND THE SOCIALIST PARTY WHICH  
IS INSISTING ON A LEADERSHIP ROLE FOR ITSELF IN FORMATION  
OF A NEW GOVERNMENT. BOTH THE PRESIDENT AND THE SOCIALISTS  
HAVE CONSIDERABLE ASSETS AND THE ISSUE IS NOT YET DECIDED.  
END SUMMARY.

1. THE PRESIDENT: EANES HAS TAKEN SEVERAL MOVES TO ASSERT HIS AUTHORITY SINCE THE FALL OF THE GOVERNMENT. HE DISMISSED SOARES JULY 27 WHEN THE PRIME MINISTER DECLINED TO RESIGN AND THEN JULY 28, DECREED THAT THE OUTGOING GOVERNMENT SHOULD REMAIN AS A "CARETAKER" GOVERNMENT DESPITE OBJECTIONS FROM SOARES AND THE SOCIALISTS THAT THEY WOULD NOT SERVE IN AN INTERIM GOVERNMENT AFTER BEING DISMISSED. EANES WOULD LIKE TO AVOID EARLY ELECTIONS IF POSSIBLE, AND ASSUMES THE PARTIES DO TOO, BUT HE SEEMS WILLING TO USE THE THREAT OF EARLY ELECTIONS TO PUSH THE POLITICAL PARTIES TOWARD A PARLAIMENTARY SOLUTION. HIS THREAT HAS SPECIAL WEIGHT SINCE --ESPECIALLY FOR THE PS (SEE BELOW)-- A PRESIDENTIALLY APPOINTED GOVERNMENT OF TECHNICIANS COULD SERVE AS A CARETAKER GOVERNMENT UNTIL ELECTIONS. EANES WOULD BE UNWILLING TO ACCEPT ANY GOVERNMENT BASED ON PCP SUPPORT AND SEEMS UNWILLING TO AGREE TO ANOTHER MINORITY GOVERNMENT. THE PRESIDENT HAS BEEN GUIDED BY A STRICT INTERPRETATION OF THE CONSTITUTION AND BY HIS LACK OF AN ASSURED BASE OF SUPPORT AMONG THE POLITICAL PARTIES. EANES KNOWS THAT A PRESIDENTIAL GOVERNMENT OF TECHNICIANS WOULD BE GREATLY HANDICAPPED WITHOUT THE ASSURED SUPPORT OF AN ASSEMBLY MAJORITY. EANES MAY IN THE END USE HIS AUTHORITY TO ENCOURAGE A NEW ACCORD AMONG THE POLITICAL PARTIES.

2. SOCIALIST POSITION: THE SOCIALISTS ARE STRONGLY RESISTING THE IMPOSITION OF A PRESIDENTIAL GOVERNMENT OF TECHNICIANS. ACCORDING TO A PS SECRETARIAT SOURCE, MARIO SOARES TOLD PRESIDENT CONFIDENTIAL

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EANES JULY 28 DURING FORMAL CONSULTATIONS WITH THE PARTY THAT THE SOCIALISTS WOULD OPPOSE ANY GOVERNMENT OF TECHNICIANS NOT BASED ON PRIOR AGREEMENT BY THE PARTIES. THE PS WOULD PROBABLY NOT ALLOW PARTY MEMBERS TO PARTICIPATE IN SUCH A GOVERNMENT. A LISBON DEMONSTRATION IN SUPPORT OF MARIO SOARES JULY 28 AND PS EFFORTS TO RALLY THEIR EUROPEAN SOCIALIST SUPPORTERS BEHIND SOARES AND THE PS HIGHLIGHT PS CONCERN. THE PS IS RELUCTANT TO GO TO EARLY ELECTIONS, PARTICULARLY IF THE PARTY DOES NOT CONTROL GOVERNMENT-OWNED MEDIA. THE SOCIALISTS WANT TO BE GIVEN CHARGE OF FORMING A NEW GOVERNMENT BUT REJECT WORKING WITH THE PCP OR SA CARNEIRO. THEY WOULD, HOWEVER, LOOK TO PSD MODERATES FOR SUPPORT. THE SOCIALISTS WOULD ALSO BE WILLING TO JOIN IN ANOTHER PS/CDS GOVERNMENT IF DIFFERENCES BETWEEN THE TWO PARTIES COULD BE WORKED OUT. WE BELIEVE THAT THE SOCIALISTS ARE LIKELY TO BECOME MORE FLEXIBLE IN THEIR NEGOTIATIONS WITH THE OTHER POLITICAL PARTIES IN ORDER TO AVOID A PRESIDENTIAL GOVERNMENT OF TECHNICIANS. IF THE PRESIDENT WERE TO MOVE AHEAD WITH A GOVERNMENT OF TECHNICIANS, THE SOCIALISTS MIGHT BE RELUCTANT TO CHALLENGE THE PRESIDENT DIRECTLY BY VOTING AGAINST THAT GOVERNMENT'S PROGRAM. THE SOCIALISTS WOULD CONTINUE, HOWEVER, TO HAVE GREAT ASSETS IN THEIR 102 ASSEMBLY SEATS, AND COULD MAKE LIFE DIFFICULT FOR ANY GOVERNMENT WITHOUT PS SUPPORT.

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O R 291624Z JUL 78  
FM AMEMBASSY LISBON  
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INFO AMEMBASSY BONN  
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3. THE PSD: THE SOCIAL DEMOCRATS HAVE EXERCISED LESS  
INFLUENCE THROUGHOUT THE CURRENT EMBROGLIO THAN THEIR  
73 ASSEMBLY SEATS MIGHT SUGGEST. THE PARTY HAS HAD A FIELD-  
DAY FOLLOWING THE RUPTURE OF THE PS/CDS ACCORD AND CONTINUES  
TO INSIST PUBLICALLY THAT THE ONLY SOLUTION IN THE NATIONAL  
INTEREST IS A PS/PSD/CDS GOVERNMENT OF NATIONAL SALVATION.  
PRIVATELY, HOWEVER, THE PARTY'S NATIONAL POLITICAL COMMISSION  
SEES ONLY TWO POSSIBLE OUTCOMES: (A) THE DESIGNATION OF A NEW  
PRIME MINISTER (PERHAPS CURRENT MINISTER OF DEFENSE  
FIRMINO MIGUEL) WITH A PRESIDENTIAL MANDATE TO FORM A NEW  
GOVERNMENT OF TECHNOCRATS AND PRESENT A PROGRAM OF PRESIDENTIAL/  
MANAGERIAL CONFIDENCE TO THE ASSEMBLY. IF THE PROGRAM IS  
APPROVED, THAT GOVERNMENT WOULD CONTINUE IN OFFICE UNTIL  
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1980; OR (B) THE DESIGNATION OF A NEW PRIME MINISTER WITH A PRESIDENTIAL MANDATE TO ASSEMBLE A SKELETON CABINET TO PRESENT A PROGRAM TO THE ASSEMBLY DESIGNED SIMPLY TO LAY THE GROUNDWORK FOR EARLY ELECTIONS WHICH THE PARTY DOES NOT BELIEVE COULD TAKE PLACE BEFORE MARCH 1979. THE PSD NATIONAL POLITICAL COMMISSION PREFERS (A) BUT BELIEVES (B) IS MORE LIKELY. THE PARTY WOULD PERMIT THE PARTICIPATION OF PARTY MEMBERS (PROBABLY NOT SENIOR PSD LEADERS, HOWEVER) IN EITHER SCENARIO. THE PSD WOULD NOT SUPPORT A GOVERNMENT PROGRAM SUBMITTED ON THE BASIS OF A NEW PS/CDS OR ANY OTHER PARLIAMENTARY GROUPING INCLUDING THE COMMUNISTS AND/OR EXCLUDING THE PSD. A LONG-TERM GOVERNMENT OF TECHNOCRATS WITH THE TACIT SUPPORT OF THE THREE DEMOCRATIC PARTIES (A ABOVE) WOULD, IN THE PSD VIEW, GET THEM BACK IN THE MAINSTREAM, ALLOW ALL THREE PARTIES TO BACK OFF FROM THE CURRENT STATE OF INTER-PARTY IDEOLOGICAL WARFARE, AND PROVIDE BREATHING SPACE TO ACCOMPLISH SOME POLITICAL REALIGNMENT BETWEEN THE PARTIES PRIOR TO NATIONAL ELECTIONS (INCLUDING PERHAPS SOME PSD DEFECTIONS AND GAINS FROM THE CDS AND PS). THE CURRENT PSD LEADERSHIP REMAINS CONVINCED THAT SYSTEMATIC OPPOSITION TO ANY PARLIAMENTARY-BASED THIRD CONSTITUTIONAL GOVERNMENT IS THE BEST WAY TO KEEP THEIR SKIRTS CLEAN AS THE COUNTRY MOVES TOWARD ELECTIONS IN 1980. A PRESIDENTIALLY SUPPORTED GOVERNMENT OF TECHNICIANS WOULD GET THE PARTY BACK INTO THE GAME WITH LOWER LEVEL PARTY SPECIALIST PARTICIPATION.

4. CDS STAND: THE CENTER DEMOCRATS DO NOT FAVOR A PRESIDENTIAL GOVERNMENT BUT ARE LESS INIMICAL TO SUCH A GOVERNMENT THAN THE SOCIALISTS. THEY ARE NOT ANXIOUS TO PARTICIPATE IN OR SUPPORT A GOVERNMENT THEY DO NOT CONTROL, BUT HAVE ALWAYS BEEN CAREFUL TO NOT OPPOSE THE PRESIDENT FRONTLY. THE CDS FEARS EARLY ELECTIONS AND ARE DISPOSED TO NEGOTIATE TO AVOID THEM. THE CENTER DEMOCRATS HAVE BEEN PUSHING FOR CONFIDENTIAL

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RESUMPTION OF NEGOTIATIONS FOR A NEW PS/CDS GOVERNMENT. THEY ARE ALSO ANXIOUS TO INCLUDE SOME PSD MODERATES, WHO OPPOSE SA CARNEIRO, IN SUCH A GOVERNMENT. IN A NEW SOCIALIST-CENTRIST GOVERNMENT, THE CENTRISTS WOULD WANT SOME OF THEIR GRIEVANCES WITH THE PERFORMANCE OF THE FIRST PS/CDS GOVERNMENT RESOLVED, PARTICULARLY IN AGRICULTURE. CDS DEPUY SECRETARY-GENERAL RIBEIRO E CASTRO TOLD EMBOFF JULY 28 THAT EANES HAS INDICATED TO THE CENTER DEMOCRATS HIS WILLINGNESS TO SUPPORT A NEW GOVERNMENT MORE OPENLY THAN HE DID THE PS/CDS COALITION.

5. COMMUNIST PARTY: ALVARO CUNHAL SAID AFTER HIS JULY 28 MEETING WITH PRESIDENT EANES THAT THE PCP FAVORED EITHER A GOVERNMENT BASED ON A PARLIAMENTARY MAJORITY OR EARLY ELECTIONS. CUNHAL SAID THE SOCIALIST PARTY IS INDISPENSABLE FOR A DEMOCRATIC

SOLUTION. SINCE THE ONSET OF THE GOVERNMENT CRISIS, THE COMMUNISTS HAVE BACKED AWAY FROM THEIR PREVIOUS ADVOCACY OF EARLY ELECTIONS. THE COMMUNISTS SEEM TO BELIEVE THEY ARE BETTER OFF IN THE OPPOSITION AND THAT NEW ELECTIONS NOW WOULD NOT SHOW DRAMATIC COMMUNIST GAINS. THE CGTP AND OTHER COMMUNIST ALLIES HAVE TAKEN POSITIONS CONSISTENT WITH THE PCP. IN ANY CASE, COMMUNIST INFLUENCE IN THE FORMATION OF A NEW GOVERNMENT IS SMALL - THEY HAVE NO CHANCE OF ENTERING A NEW GOVERNMENT AND THE SOCIALISTS FEEL LESS NEED THAN THEY DID AT THE TIME OF THE FORMATION OF THE FIRST PS/CDS GOVERNMENT TO PROTECT THEIR LEFT FLANK BY NEGOTIATING SIMULTANEOUSLY WITH THE COMMUNISTS AND THE CENTER DEMOCRATS.

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O R 291624Z JUL 78  
FM AMEMBASSY LISBON  
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6. MILITARY: MILITARY REACTION TO THE POLITICAL CRISIS HAS BEEN CALM (REF A). THERE HAS BEEN NO INDICATION OF TROUBLE IN THE BARRACKS ALTHOUGH A PROLONGED POLITICAL CRISIS COULD CAUSE PROBLEMS. THERE IS A NATURAL REACTION AMONG MANY MILITARY MEN TO HEAP DISDAIN UPON THE POLITICAL PARTIES FOR FAILING TO RESOLVE THE NATION'S PROBLEMS AND TO FAVOR A STRONGER ROLE FOR

THE PRESIDENT. NONETHELESS, THERE IS NO INDICATION THAT SUCH INDIVIDUAL VIEWS HAVE SIGNIFICANTLY AFFECTED THE PRESIDENT WHO MAINTAINS FIRM CONTROL OF THE ARMED FORCES. THE REVOLUTIONARY COUNCIL HAS NOT PLAYED AN IMPORTANT ROLE AND WILL PROBABLY NOT BLOCK ANY SOLUTION EAMES COMES UP WITH.

7. REACTION OF PUBLIC AND OF ECONOMIC FORCES: PUBLIC REACTION  
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TO THE CURRENT CRISIS HAS BEEN CALM, AIDED BY PRIOR EXPERIENCE WITH LAST DECEMBER'S POLITICAL CRISIS AND BY THE FACT THAT MANY PORTUGUESE ARE ON HOLIDAY. A PROLONGED CRISIS, HOWEVER, IS LIKELY TO GENERATE GREATER PUBLIC CONCERN. CONSERVATIVE ECONOMIC GROUPS WERE PLEASED WITH THE FALL OF THE PS/CDS GOVERNMENT. THE PORTUGUESE CONFEDERATION OF INDUSTRY AND CHAMBER OF COMMERCE HAVE KEPT UP THEIR STEADY CRITICISM OF THE ECONOMIC SYSTEM AND GOVERNMENT AUSTERITY MEASURES WHICH AFFECT THEM.  
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## Message Attributes

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